

106TH CONGRESS
2D SESSION

H. R. 5315

To amend the Internal Revenue Code of 1986 to reduce estate and gift tax rates, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 27, 2000

Mr. TANNER (for himself, Mr. STENHOLM, Mr. BOYD, Ms. HOOLEY of Oregon, Mr. SPRATT, Mr. DOOLEY of California, Ms. ESHOO, Mr. ABERCROMBIE, Mrs. MCCARTHY of New York, Ms. LOFGREN, Mr. CROWLEY, Mr. LUCAS of Kentucky, Ms. DANNER, Mr. HALL of Texas, Mr. SISISKY, Mr. TURNER, Mrs. TAUSCHER, Mr. SMITH of Washington, Mr. BERRY, Mr. SHOWS, Mr. THOMPSON of California, Mr. HOLDEN, Mr. HILL of Indiana, Mr. JOHN, Mr. CRAMER, and Mr. DOYLE) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reduce estate and gift tax rates, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Death Tax Relief Now Act of 2000”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
 2 to, or repeal of, a section or other provision, the reference
 3 shall be considered to be made to a section or other provi-
 4 sion of the Internal Revenue Code of 1986.

5 **SEC. 2. 20 PERCENT REDUCTION OF ESTATE TAX RATES.**

6 (a) IN GENERAL.—Subsection (c) of section 2001 is
 7 amended by redesignating paragraph (2) as paragraph (3)
 8 and by striking paragraph (1) and inserting the following
 9 new paragraphs:

10 “(1) IN GENERAL.—

“If the amount with respect to which the tentative tax is to be computed is:	The tentative tax is:
Not over \$10,000	14.4% of such amount.
Over \$10,000 but not over \$20,000.	\$1,440, plus 16% of the excess of such amount over \$10,000
Over \$20,000 but not over \$40,000.	\$3,040, plus 17.6% of the excess of such amount over \$20,000
Over \$40,000 but not over \$60,000.	\$6,560, plus 19.2% of the excess of such amount over \$40,000
Over \$60,000 but not over \$80,000.	\$10,400, plus 20.8% of the excess of such amount over \$60,000
Over \$80,000 but not over \$100,000.	\$14,560, plus 22.4% of the excess of such amount over \$80,000
Over \$100,000 but not over \$150,000.	\$19,040, plus 24% of the excess of such amount over \$100,000
Over \$150,000 but not over \$250,000.	\$31,040, plus 25.6% of the excess of such amount over \$150,000
Over \$250,000 but not over \$500,000.	\$56,640, plus 27.2% of the excess of such amount over \$250,000
Over \$500,000 but not over \$750,000.	\$124,640, plus 29.6% of the excess of such amount over \$500,000
Over \$750,000 but not over \$1,000,000.	\$198,640, plus 31.2% of the excess of such amount over \$750,000
Over \$1,000,000 but not over \$1,250,000.	\$276,640, plus 32.8% of the excess of such amount over \$1,000,000
Over \$1,250,000 but not over \$1,500,000.	\$358,640, plus 34.4% of the excess of such amount over \$1,250,000
Over \$1,500,000 but not over \$2,000,000.	\$444,640, plus 36% of the excess of such amount over \$1,500,000
Over \$2,000,000 but not over \$2,500,000.	\$624,640, plus 39.2% of the excess of such amount over \$2,000,000

“If the amount with respect to which the tentative tax is to be computed is: The tentative tax is:

Over \$2,500,000 but not over \$3,000,000.	\$820,640, plus 42.4% of the excess of such amount over \$2,500,000
Over \$3,000,000	\$1,032,640, plus 44% of the excess of such amount over \$3,000,000.

1 “(2) REDUCTION IN MAXIMUM RATE AFTER
2 2009.—In the case of decedents dying, and gifts
3 made, after 2009, the following item shall be sub-
4 stituted for the last 2 items in the schedule con-
5 tained in paragraph (1):

Over \$2,500,000	\$820,640, plus 39.6% of the excess of such amount over \$2,500,000.”
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6 (b) RESTORATION OF PHASEOUT OF UNIFIED CRED-
7 IT.—Paragraph (2) of section 2001(c) is amended by
8 striking “\$10,000,000” and all that follows and inserting
9 “\$10,000,000. The amount of the increase under the pre-
10 ceding sentence shall not exceed the sum of—

11 “(A) the applicable credit amount under
12 section 2010(c), and

13 “(B) the excess of the amount equal to 44
14 percent of \$3,000,000 over the amount of the
15 tentative tax under paragraph (1) on
16 \$3,000,000.

17 In the case of decedents dying, and gifts made, after
18 2009, subparagraph (B) shall be applied by sub-
19 stituting ‘39.6 percent’ for ‘44 percent’ and
20 ‘\$2,500,000’ for ‘\$3,000,000’.”

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to estates of decedents dying, and
 3 gifts made, after December 31, 2000.

4 **SEC. 3. INCREASE IN EXEMPTION EQUIVALENT OF UNIFIED**
 5 **CREDIT; INFLATION ADJUSTMENT OF CRED-**
 6 **IT.**

7 (a) IN GENERAL.—The table contained in section
 8 2010(c) (relating to applicable credit amount) is amended
 9 to read as follows:

“In the case of estates of decedents dying, and gifts made, during:	The applicable exclusion amount is:
2001 and 2002	\$1,300,000
2003 and 2004	\$1,500,000
2005 and 2006	\$1,700,000
2007 and 2008	\$1,900,000
2009 or thereafter	\$2,000,000.”

10 (b) INFLATION ADJUSTMENT.—

11 (1) IN GENERAL.—Section 2010 is amended by
 12 redesignating subsection (d) as subsection (e) and by
 13 inserting after subsection (c) the following new sub-
 14 section:

15 “(d) INFLATION ADJUSTMENT.—In the case of any
 16 decedent dying, and gift made, in a calendar year after
 17 2010, the \$2,000,000 amount set forth in subsection (c)
 18 shall be increased by an amount equal to—

19 “(1) \$2,000,000, multiplied by

20 “(2) the cost-of-living adjustment determined
 21 under section 1(f)(3) for such calendar year by sub-

1 stituting ‘calendar year 2009’ for ‘calendar year
2 1992’ in subparagraph (B) thereof.

3 If any amount as adjusted under the preceding sentence
4 is not a multiple of \$10,000, such amount shall be round-
5 ed to the nearest multiple of \$10,000.”

6 (2) CONFORMING AMENDMENTS.—Sections
7 2033A(a)(2), 6018(a)(1), 6601(j)(2)(A)(i) are each
8 amended by striking “section 2010(c)” and inserting
9 “section 2010”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to estates of decedents dying, and
12 gifts made, after December 31, 2000.

13 **SEC. 4. REPEAL OF ESTATE TAX BENEFIT FOR FAMILY-**
14 **OWNED BUSINESS INTERESTS.**

15 (a) IN GENERAL.—Section 2057 is hereby repealed.

16 (b) CONFORMING AMENDMENTS.—

17 (1) Paragraph (10) of section 2031(c) is
18 amended by inserting “(as in effect on the day be-
19 fore the date of the enactment of the Death Tax Re-
20 lief Now Act of 2000)” before the period.

21 (2) The table of sections for part IV of sub-
22 chapter A of chapter 11 is amended by striking the
23 item relating to section 2057.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to estates of decedents dying, and
3 gifts made, after December 31, 2000.

4 **SEC. 5. CREDIT FOR STATE DEATH TAXES REPLACED WITH**
5 **DEDUCTION FOR SUCH TAXES.**

6 (a) REPEAL OF CREDIT.—Section 2011 (relating to
7 credit for State death taxes) is hereby repealed.

8 (b) DEDUCTION FOR STATE DEATH TAXES.—Part
9 IV of subchapter A of chapter 11 is amended by adding
10 at the end the following new section:

11 **“SEC. 2058. STATE DEATH TAXES.**

12 “(a) ALLOWANCE OF DEDUCTION.—For purposes of
13 the tax imposed by section 2001, the value of the taxable
14 estate shall be determined by deducting from the value
15 of the gross estate the amount of any estate, inheritance,
16 legacy, or succession taxes actually paid to any State or
17 the District of Columbia, in respect of any property in-
18 cluded in the gross estate (not including any such taxes
19 paid with respect to the estate of a person other than the
20 decedent).

21 “(b) PERIOD OF LIMITATIONS.—The deduction al-
22 lowed by this section shall include only such taxes as were
23 actually paid and deduction therefor claimed within 4
24 years after the filing of the return required by section
25 6018, except that—

1 “(1) If a petition for redetermination of a defi-
2 ciency has been filed with the Tax Court within the
3 time prescribed in section 6213(a), then within such
4 4-year period or before the expiration of 60 days
5 after the decision of the Tax Court becomes final.

6 “(2) If, under section 6161 or 6166, an exten-
7 sion of time has been granted for payment of the tax
8 shown on the return, or of a deficiency, then within
9 such 4-year period or before the date of the expira-
10 tion of the period of the extension.

11 “(3) If a claim for refund or credit of an over-
12 payment of tax imposed by this chapter has been
13 filed within the time prescribed in section 6511, then
14 within such 4-year period or before the expiration of
15 60 days from the date of mailing by certified mail
16 or registered mail by the Secretary to the taxpayer
17 of a notice of the disallowance of any part of such
18 claim, or before the expiration of 60 days after a de-
19 cision by any court of competent jurisdiction be-
20 comes final with respect to a timely suit instituted
21 upon such claim, whichever is later.

22 Refund based on the deduction may (despite the provisions
23 of sections 6511 and 6512) be made if claim therefor is
24 filed within the period above provided. Any such refund
25 shall be made without interest.”

1 (c) CONFORMING AMENDMENTS.—

2 (1) Subsection (a) of section 2012 is amended
3 by striking “the credit for State death taxes pro-
4 vided by section 2011 and”.

5 (2) Subparagraph (A) of section 2013(c)(1) is
6 amended by striking “2011,”.

7 (3) Paragraph (2) of section 2014(b) is amend-
8 ed by striking “, 2011,”.

9 (4) Sections 2015 and 2016 are each amended
10 by striking “2011 or”.

11 (5) Subsection (d) of section 2053 is amended
12 to read as follows:

13 “(d) CERTAIN FOREIGN DEATH TAXES.—

14 “(1) IN GENERAL.—Notwithstanding the provi-
15 sions of subsection (c)(1)(B) of this section, for pur-
16 poses of the tax imposed by section 2001, the value
17 of the taxable estate may be determined, if the ex-
18 ecutor so elects before the expiration of the period
19 of limitation for assessment provided in section
20 6501, by deducting from the value of the gross es-
21 tate the amount (as determined in accordance with
22 regulations prescribed by the Secretary) of any es-
23 tate, succession, legacy, or inheritance tax imposed
24 by and actually paid to any foreign country, in re-
25 spect of any property situated within such foreign

1 country and included in the gross estate of a citizen
2 or resident of the United States, upon a transfer by
3 the decedent for public, charitable, or religious uses
4 described in section 2055. The determination under
5 this paragraph of the country within which property
6 is situated shall be made in accordance with the
7 rules applicable under subchapter B (sec. 2101 and
8 following) in determining whether property is situ-
9 ated within or without the United States. Any elec-
10 tion under this paragraph shall be exercised in ac-
11 cordance with regulations prescribed by the Sec-
12 retary.

13 “(2) CONDITION FOR ALLOWANCE OF DEDUC-
14 TION.—No deduction shall be allowed under para-
15 graph (1) for a foreign death tax specified therein
16 unless the decrease in the tax imposed by section
17 2001 which results from the deduction provided in
18 paragraph (1) will inure solely for the benefit of the
19 public, charitable, or religious transferees described
20 in section 2055 or section 2106(a)(2). In any case
21 where the tax imposed by section 2001 is equitably
22 apportioned among all the transferees of property
23 included in the gross estate, including those de-
24 scribed in sections 2055 and 2106(a)(2) (taking into
25 account any exemptions, credits, or deductions al-

lowed by this chapter), in determining such decrease, there shall be disregarded any decrease in the Federal estate tax which any transferees other than those described in sections 2055 and 2106(a)(2) are required to pay.

“(3) EFFECT ON CREDIT FOR FOREIGN DEATH TAXES OF DEDUCTION UNDER THIS SUBSECTION.—

“(A) ELECTION.—An election under this subsection shall be deemed a waiver of the right to claim a credit, against the Federal estate tax, under a death tax convention with any foreign country for any tax or portion thereof in respect of which a deduction is taken under this subsection.

“(B) CROSS REFERENCE.—

“See section 2014(f) for the effect of a deduction taken under this paragraph on the credit for foreign death taxes.”

(6) Subparagraph (A) of section 2056A(b)(10) is amended—

(A) by striking “2011,” and

(B) by inserting “2058,” after “2056,”.

(7)(A) Subsection (a) of section 2102 is amended to read as follows:

“(a) IN GENERAL.—The tax imposed by section 2101 shall be credited with the amounts determined in accord-

1 ance with sections 2012 and 2013 (relating to gift tax and
2 tax on prior transfers).”

3 (B) Section 2102 is amended by striking sub-
4 section (b) and by redesignating subsection (c) as
5 subsection (b).

6 (C) Section 2102(b)(5) (as redesignated by sub-
7 paragraph (B)) and section 2107(c)(3) are each
8 amended by striking “2011 to 2013, inclusive,” and
9 inserting “2012 and 2013”.

10 (8) Subsection (a) of section 2106 is amended
11 by adding at the end the following new paragraph:

12 “(4) STATE DEATH TAXES.—The amount which
13 bears the same ratio to the State death taxes as the
14 value of the property, as determined for purposes of
15 this chapter, upon which State death taxes were paid
16 and which is included in the gross estate under sec-
17 tion 2103 bears to the value of the total gross estate
18 under section 2103. For purposes of this paragraph,
19 the term ‘State death taxes’ means the taxes de-
20 scribed in section 2011(a).”

21 (9) Section 2201 is amended—

22 (A) by striking “as defined in section
23 2011(d)”, and

24 (B) by adding at the end the following new
25 flush sentence:

1 “For purposes of this section, the additional estate tax
2 is the difference between the tax imposed by section 2001
3 or 2101 and the amount equal to 125 percent of the max-
4 imum credit provided by section 2011(b), as in effect be-
5 fore its repeal by the Estate Tax Relief Act of 2000.”

6 (10) Paragraph (2) of section 6511(i) is amend-
7 ed by striking “2011(c), 2014(b),” and inserting
8 “2014(b)”.

9 (11) Subsection (c) of section 6612 is amended
10 by striking “section 2011(c) (relating to refunds due
11 to credit for State taxes),”.

12 (12) The table of sections for part II of sub-
13 chapter A of chapter 11 is amended by striking the
14 item relating to section 2011.

15 (13) The table of sections for part IV of sub-
16 chapter A of chapter 11 is amended by adding at
17 the end the following new item:

“Sec. 2058. State death taxes.”

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to estates of decedents dying after
20 December 31, 2000.

1 **SEC. 6. INCREASE IN NUMBER OF ALLOWABLE PARTNERS**
2 **AND SHAREHOLDERS IN CLOSELY HELD**
3 **BUSINESSES FOR PURPOSES OF EXTENSION**
4 **OF TIME FOR PAYING ESTATE TAX.**

5 (a) IN GENERAL.—Paragraphs (1)(B)(ii), (1)(C)(ii),
6 and (9)(B)(iii)(I) of section 6166(b) of the Internal Rev-
7 enue Code of 1986 (relating to definitions and special
8 rules) are each amended by striking “15” and inserting
9 “45”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to estates of decedents dying after
12 December 31, 2000.

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